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9.A.2 [FS]: DRAFT (TABLED) MEDIUM TERM REVENUE AND EXPENDITURE FRAMEWORK (MTREF): 2019/2020 TO 2021/2022 AS REQUIRED BY SECTION 16 OF THE MFMA

5/1/1 2019/2020 – 2021/2022

COMPETENCY: COUNCIL

PURPOSE

To submit the Draft (Tabled) Medium Term Revenue and Expenditure Framework for the 2019/2020 to 2021/2022 financial period in terms of Section 16 of the Municipal Finance Management Act (distributed under separate cover).

RECOMMENDATIONS

1. That the report regarding the Draft Medium Term Revenue and Expenditure Framework for the 2019/2020 to 2021/2022 financial period, be noted.
2. That the Draft Medium Term Revenue and Expenditure Framework for the 2019/2020 to 2021/2022 financial period, inclusive of draft tariffs, the draft budget related policies, the draft SDBIP and the draft organisational structure BE NOTED in terms of Section 16 of the Municipal Finance Management Act.
3. That the Draft Medium Term Revenue and Expenditure Framework for the 2019/2020 to 2021/2022 financial period, inclusive of draft tariffs, draft budget related policies and draft SDBIP BE SUBJECTED to a community consultation process in terms of Sections 22 and 23 of the Municipal Finance Management Act and that the consultation process be done in accordance with Chapter 4 of the Municipal Systems Act.
4. That the Final Medium Term Revenue and Expenditure Framework for the 2019/2020 to 2021/2022 financial period, inclusive of tariffs, draft budget related policies, SDBIP and organisational structures BE SUBMITTED to Council for final consideration on 30 May 2019 as required by section 24 of the Municipal Finance Management Act.

REPORT

In terms of the legislative process, the Budget must be tabled to Council by no later than 31st March 2019 for endorsement by Council so that the public participation processes can take place during April 2019.

Section 16 of the MFMA dealing with the tabling of annual budgets, inter alia, reads as follows:

- 1) *The council of a municipality must for each financial year approve an annual budget for the municipality before the start of that financial year.*

- 2) *In order for a municipality to comply with subsection (1), the mayor of the municipality must table the annual budget at a council meeting at least 90 days before the start of the budget year.*
- 3) *Subsection (1) does not preclude the appropriation of money for capital expenditure for a period not exceeding three financial years, provided a separate appropriation is made for each of those financial years.*

Section 24 of the MFMA dealing with the approval of annual budgets and, inter alia, reads as follows:

- 1) *The municipal council must at least 30 days before the start of the budget year consider approval of the annual budget.*
- 2) *An annual budget-*
 - a) *must be approved before the start of the budget year;*
 - b) *is approved by the adoption by the council of a resolution referred to in section 17(3)(a)(i); and*
 - c) *must be approved together with the adoption of resolutions as may be necessary-*
 - i. *imposing any municipal tax for the budget year;*
 - ii. *setting any municipal tariffs for the budget year;*
 - iii. *approving measurable performance objectives for revenue from each source and for each vote in the budget;*
 - iv. *approving any changes to the municipality's integrated development plan; and*
 - v. *approving any changes to the municipality's budget related policies.*
- 3) *The accounting officer of a municipality must submit the approved annual budget to the National Treasury and the relevant provincial treasury.*

Process Followed

The key deadlines for the compilation of the IDP and Medium Term Revenue and Expenditure Framework (MTREF, or Budget) was submitted to Council for approval during August 2018 as required by section 21(b) of the MFMA. These key deadlines were revised by Council during February 2019.

In terms of the approved key deadlines, the administrative process in the compilation of the budget was followed and the Budget Steering Committee provided the political oversight.

The Budget Steering Committee considered the operating budget, the capital budget, the tariffs and the budget related policies and recommended that same now be forwarded to the Section 80 Committee, the Mayoral Committee as well as Council for consideration.

Budget Summary

The operating revenue for 2019/2020 is budgeted at R1 242 357 741, which is an increase of 9.3% from the 2018/2019 adjusted budget.

Provision has been made to supply all households serviced by the Council with 2kl of water free of charge and not 4kl as in the 2018/2019 financial year. As from 1 July 2017, only registered indigent households (inclusive of deemed indigent households) received 6kl free water per month. All other households will receive only 2kl free basic water during 2019/2020. There will be no free basic water as from 1 July 2020.

The Revenue Budget has been compiled based on projected billing, however provision has been made for a 95.5% collection rate through the provision of funds for the impairment of debtors.

The following tariff increases are proposed:

- Electricity – 14.5% (subject to final confirmation of NERSA)
- Water – 7.9%
- Sanitation – 7%
- Refuse Collection – 7%
- Assessment Rates – 7%

The tariff increases are above the projected inflation targets. Tariffs could not be contained within the targeted inflation limits due to increased cost of the provision of services. No growth in the volume of sales have been budgeted for.

The operating expenditure for 2019/2020 is budgeted at R1 210 106 334 (an increase of 8.4% from the 2018/2019 adjusted budget). This includes a provision for salary increases of 6.5%, increase in repairs and maintenance expenditure of 7.8%, operating cost of 0% and contracted services of 5%. Bulk purchases has been increased as follows:

Water Purchases from Randwater – 7.9%
Electricity Purchases from Eskom – 18%

The capital amount proposed for 2019/2020 amounts to R135 989 307.

Midvaal mainly spends its capital expenditure on infrastructure services and for the 2019/20 financial year (73%) of the capital budget is allocated to the Engineering Services department.

The following attachments are provided: (Distributed under separate cover)

SECTION ONE: MEDIUM TERM REVENUE AND EXPENDITURE FRAMEWORK

Annexure A	National Treasury Format Budget Document
Annexure B	Draft Capital Budget Summary
Annexure C	Draft Capital Budget Project List

SECTION TWO: TARIFF SCHEDULES

Annexure D	Tariff Schedule for 2019/2020
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SECTION THREE: BUDGET RELATED POLICIES

The budget related policies are attached as follows:

Annexure E	Tariff By-Law
Annexure F	Tariff Policy
Annexure G	Property Rates By-Law
Annexure H	Property Rates Policy
Annexure I	Credit Control and Debt Collection By-Law
Annexure J	Credit Control and Debt Collection Policy
Annexure K	Cash Management Policy
Annexure L	Investment Policy
Annexure M	Borrowing Policy
Annexure N	Budget Funding and Reserves Policy
Annexure O	Municipal Supply Chain Management Policy and Procedures
Annexure P	Asset Management Policy
Annexure Q	Policy on the Planning and Approval of Capital Projects
Annexure R	Indigents Policy
Annexure S	Policy related to the provision of free basic electricity
Annexure T	Policy related to the provision of free basic water
Annexure U	Policy on the Acceptance of Grants, Donations, Sponsorships and Gifts
Annexure V	Long Term Financial Planning Policy
Annexure W	Disposal of Assets Policy
Annexure X	Budget Implementation and Monitoring Policy
Annexure Y	Unauthorised, Irregular, Fruitless and Wasteful Expenditure Policy
Annexure Z	Unclaimed Credits Policy
Annexure AA	Bulk Developer Contributions Policy
Annexure AB	Related Party Policy
Annexure AC	Cell phone and connectivity allowance Policy
Annexure AD	Caucus Budget Policy
Annexure AE	Billing Policy
Annexure AF	Electricity By-laws
Annexure AG	Water By-laws
Annexure AH	Supply Chain Management Process Turn-around Time Policy
Annexure AI	EFT Policy
Annexure AJ	Bad Debt Provision Policy

Annexure AK	Supply Chain Management Policy for Infrastructure Procurement and delivery management
Annexure AL	Contract Management Policy
Annexure AM	Driver Policy
Annexure AN	Cost Containment Policy
Annexure AO	Virement Policy
Annexure AP	Indigent Screening Committee
Annexure AQ	BCX Call Logging Procedure

It must be noted that all Personnel Policies will be submitted to Council as separate items where amendments are required.

SECTION FOUR: DRAFT SDBIP

The Draft SDBIP will be circulated under separate cover as Annexure AR.

SECTION FIVE: DRAFT PROCUREMENT PLAN

The Draft Procurement Plan is attached as Annexure AS.

SECTION SIX: DRAFT ORGANISATIONAL STRUCTURES FOR 2019/2020

The Draft Organisational Structures will be circulated under separate cover as Annexure AT.

SECTION SEVEN: ADDITIONAL INFORMATION

This section deals with other information that are submitted to Council for additional information as part of the annual budget documentation.

Annexure AU	Midvaal Service Charter 2017
Annexure AV	NT Draft MFMA Cost Containment Draft Regulations
Annexure AW	Midvaal Cost Containment Progress Report (2018/2019 financial year)
Annexure AX	MFMA Budget Circular No 93 dated 7 December 2018
Annexure AY	MFMA Budget Circular No 94 dated 8 March 2019